

**MICHIGAN LOTTERY
CHARITABLE GAMING
DIVISION**

**2001
ANNUAL REPORT**
October 1, 2000 to September 30, 2001

JAMES E. KIPP
Acting Commissioner

MICHAEL G. PETERSEN
*Deputy Commissioner
Charitable Gaming Division*

The report is compiled as required by Section 15 of Act 382 of the Public Acts of 1972, as amended.

TABLE OF CONTENTS

Audit Activity	9
Bingo	4
Bingo Game Locations	5
Bingo Licenses Issued	5
Bingo Statistics, Large	4
Charitable Causes	2
Charity Game Tickets	3
Division Budget	8
Event Training	9
Financial Statistics—All Events	2
Millionaire Party	6
Mission Statement	10
Raffle	7
Regulatory Activity	9
Suppliers	8
Year In Review	1

YEAR IN REVIEW

We are proud to report that FY 2001 was a very successful one for nonprofit organizations who conduct charitable gaming activities in Michigan. Overall, nonprofit organizations saw a net profit increase of \$5.5 million over last year.

This past year marked the first full year of operation following the legislative changes that took effect in March 2000. The most significant changes included a new annual charity game (ticket) license and the Michigan progressive jackpot bingo game. These changes and others allowed charitable organizations to step up their fundraising efforts during FY 2001.

Charitable organizations saw \$17 million in profit from bingo activities all across the state this past year, and \$6.8 million of that profit was generated by the Michigan progressive jackpot bingo game. As the progressive bingo jackpots grew bigger and bigger at different locations throughout Michigan, more and more players took part in the excitement of winning big. In fact, the largest known bingo jackpot in Michigan history was awarded this past year!


District 9 Little League in Grandville currently holds the record for the largest known progressive bingo jackpot to date at \$14,321. Approximately 475 bingo players showed up to try their luck at winning the giant jackpot. Due to hall occupancy restrictions, they had to turn away approximately 100 other players. Many people waited in line for 12 hours for a chance to play and almost \$26,000 in charity game tickets were sold that day. The jackpot was finally won that evening by Sue Quillin of Grandville.

Also thanks to the legislative changes, the Charitable Gaming Division saw a dramatic increase in annual charity game ticket sales in FY 2001 – an \$8 million increase in net profit for the charities over last year. In addition to the profit increase, this past year marked the introduction of the first-ever brand-name charity game ticket – a Monopoly game.

Charitable gaming information has become much easier for nonprofit organizations to obtain over the past year due to changes made to the Charitable Gaming Web site. Many organizations took advantage of the ability to access rules, legislation, and forms on the Web site (www.michigan.gov/cg). Look for more improvements to be made in the near future to the Web site that will make it even more useful and user-friendly.

Each year, charitable gaming events that are licensed and regulated by the Charitable Gaming Division fund many wonderful and worthy projects for communities all across the Great Lakes State. Included on this list are food banks, transportation to medical services, and places for senior citizens to meet, just to name a few. The Michigan Lottery and the Charitable Gaming Division are proud to be part of a program that benefits so many Michigan residents.

The games offered to those who participate in charitable gaming events must meet the highest standards of credibility, fairness, and entertainment. In the face of ever-increasing competition, there must be a solid reason for players to keep coming back. Together, we can make all areas of charitable gaming in Michigan successful. We, the staff of the Lottery's Charitable Gaming Division, are devoted to the prosperity and integrity of Michigan's charitable gaming events now and in the future.


James E. Kipp
Acting Commissioner


Michael G. Petersen
Deputy Commissioner
Charitable Gaming Division

Charity game
tickets
generated an
\$8 million
increase in
net profit over
last year.

CHARITABLE CAUSES

Without the funding derived from charitable gaming, many community projects here in Michigan would not exist. From the net profit this year, organizations retained over \$74 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include but are not limited to:

Organizations
made a net
profit of \$5.5
million more
than last year.

Band Booster Programs	Junior Achievement
Big Brothers/Big Sisters	Leukemia Foundation
Blind Federation	Library Funds
Burn Projects	Little League Baseball
Cancer Research	Local Symphony Orchestra
Catholic Missions & Education	Mental Health Programs
Children & Youth Camps	Preschools and Co-op Nurseries
Crisis Intervention Centers	Public and Private Schools
Cystic Fibrosis Research	Scholarships
Diabetes Research	School Athletic Programs
Disabled Citizen Programs	Senior Citizen Projects
Easter Seals	Soup Kitchens
Fire Department Equipment	Special Olympics
Girl Scout Programs	Veteran Hospitals and Therapy
Historical Societies	Wildlife and Conservation Programs

FINANCIAL STATISTICS—ALL EVENTS

Financial statistics for charity game tickets and raffle tickets are included with the license under which those tickets were sold.

The following statistics are based on figures reported by licensees for events that occurred during FY 2001.

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$81,551,041	\$61,486,161	\$9,908,825	\$10,156,055
Special Charity Game	38,142	23,200	5,429	9,513
Large Bingo	252,223,752	189,200,097	30,651,621	32,372,034
Small Bingo	156,499	117,683	6,681	32,135
Special Bingo	2,355,830	1,365,325	239,252	751,253
Millionaire Party	9,081,198	3,906,525	1,029,214	4,145,459
Large Raffle	54,329,747	22,760,938	4,761,285	26,807,524
Total	\$399,736,209	\$278,859,929	\$46,602,307	\$74,273,973

ANNUAL CHARITY GAME (TICKET)

Qualified organizations that own or lease a location for the primary use of its members may apply for an annual charity game (ticket) license. The annual charity game (ticket) license is \$200 for the license year. For this fiscal year, licensees reported the following financial data:

Revenue	\$81,551,041
Prizes	\$61,486,161
Expenses	\$9,908,825
Net Profit	\$10,156,055

432 annual charity game (ticket) licenses were issued.

21 special charity game (ticket) licenses were issued.

SPECIAL CHARITY GAME (TICKET)

Qualified organizations may apply for a special charity game (ticket) license. The special charity game (ticket) license is \$15 per day for up to four consecutive days. For this fiscal year, licensees reported the following financial data:

Revenue	\$38,142
Prizes	\$23,200
Expenses	\$5,429
Net Profit	\$9,513

ALL CHARITY GAME TICKET SALES

Seven license types allow for the sale of charity game tickets. Licensees reported the following financial data for charity game ticket sales:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$81,551,041	\$61,486,161	\$9,908,825	\$10,156,055
Special Charity Game	38,142	23,200	5,429	9,513
Large Bingo	105,669,694	79,058,590	10,588,062	16,023,042
Small Bingo	8,304	6,565	472	1,267
Special Bingo	548,642	406,698	53,447	88,497
Millionaire Party	161,790	114,322	15,975	31,493
Large Raffle	53,752	36,353	4,634	12,765
Total	\$188,031,365	\$141,131,889	\$20,576,844	\$26,322,632

Charity game tickets accounted for \$26 million in profit to the nonprofit organizations, an increase of \$8 million over last fiscal year.

BINGO

Of the \$17 million profit from bingo activity, \$6.8 million was generated from the Michigan Progressive Jackpot Bingo Game.

Bingo licenses include large bingo, small bingo, and special bingo. The fee for a large bingo license is \$150, a small bingo license is \$55, and a special bingo license is \$25. A qualified organization may obtain multiple bingo licenses, up to seven per week, but no more than one per day. Up to four special bingo licenses per year are allowed and are good for up to seven consecutive days.

Bingo licensees are allowed to sell charity game tickets. Below, bingo activity is shown separately from charity game ticket sales.

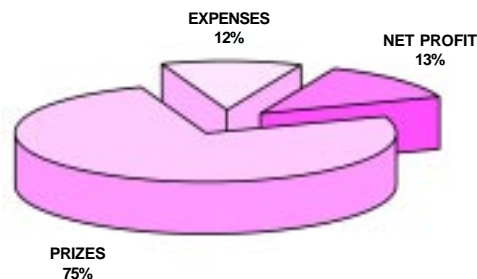
For this fiscal year, bingo licensees reported the following financial data for bingo activity:

Revenue	\$148,509,441
Prizes	\$111,211,252
Expenses	\$20,255,573
Net Profit	\$17,042,616

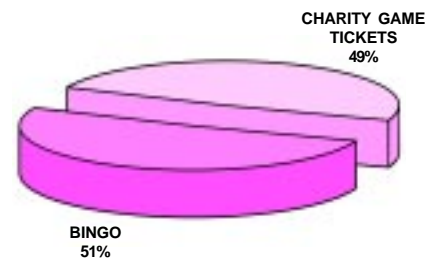
The 1,171 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$106,226,640
Prizes	\$79,471,853
Expenses	\$10,641,981
Net Profit	\$16,112,806

Allocation of Total Bingo Revenue



Source of Total Bingo Net Profit



LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2001. (These do not include the small bingo games or special bingo games.)

Total attendance	5,430,740
Average number of players per bingo occasion	73
Average bingo prizes paid per occasion	\$1,557

	Where Charity Game Tickets Are Sold:	Where Charity Game Tickets Are Not Sold:
Average player spending per occasion	\$51.82	\$27.50
Average annual net profit per occasion	\$26,544	\$13,239

BINGO LICENSES ISSUED

<u>Year</u>	<u>Large</u>	<u>Small</u>	<u>Special</u>	<u>Total</u>
2001	1,369	26	657	2,052
2000	1,432	28	752	2,212
1999	1,601	54	814	2,469
1998	1,699	54	882	2,635
1997	1,790	58	903	2,751
1996	1,904	58	1,044	3,006
1995	2,014	58	1,118	3,190
1994	2,106	63	1,114	3,283
1993	2,127	63	1,112	3,302
1992	2,203	66	1,193	3,462
1991	2,108	59	996	3,163
1990	2,294	70	1,157	3,521
1989	2,204	52	1,215	3,471
1988	2,242	54	1,216	3,512
1987	2,293	53	1,432	3,778
1986	2,363	58	1,377	3,798
1985	2,473	63	1,353	3,889
1984	2,536	66	1,415	4,017
1983	2,480	63	1,311	3,854
1982	2,454	63	1,316	3,833
1981	2,350	70	1,242	3,662
1980	2,219	69	1,294	3,582
1979	2,217	35	1,303	3,555
1978	2,197	43	1,311	3,551
1977	2,154	50	1,234	3,438
1976	2,075	53	1,145	3,273
1975	1,897	80	1,090	3,067
1974	1,666	101	1,014	2,781
1973	1,329	156	575	2,060

BINGO GAME LOCATIONS

Licensed bingo games may be conducted in the licensee's own facility, a related organization's facility, or a licensed hall. Rent, when it is charged, is required by the Act to be reasonable. All terms of the rental agreement must be approved by and on file with the bureau.

In FY 2001, licensed bingo games operated in facilities as follows:

Own	50%
Related Organization	13%
Licensed Hall	37%

The division licensed 132 halls for use by qualified organizations.

MILLIONAIRE PARTY

Millionaire parties, also called “Las Vegas Nights,” are a popular form of licensed fundraising because of the entertainment appeal of the event. A millionaire party license allows for the awarding of cash or merchandise prizes, the sale of charity game tickets, and the conduct of raffles in conjunction with the event.

A millionaire party can be licensed for up to four consecutive days at \$50 per day.

For this fiscal year, millionaire party licensees reported the following financial data for millionaire party activity:

Revenue	\$4,084,634
Cash Redemptions	\$1,997,743
Merchandise Prizes	\$44,009
Expenses	\$682,725
Net Profit	\$1,360,157

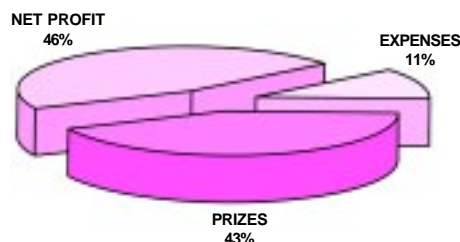
The 45 licensed millionaire parties that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$161,790
Prizes	\$114,322
Expenses	\$15,975
Net Profit	\$31,493

The 424 licensed millionaire parties that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$4,834,774
Prizes	\$1,750,451
Expenses	\$330,514
Net Profit	\$2,753,809

Allocation of Total
Millionaire Party Revenue



Source of Total
Millionaire Party Net Profit



66% of
millionaire
party profit is
from raffle
ticket sales.

745 millionaire party
licenses were issued.

SMALL RAFFLE

A small raffle license is issued for a raffle drawing when the total value of all prizes awarded on that date will not exceed \$500. A small raffle license can be issued for more than one drawing date.

Small raffle licensees are not required to submit financial statements to the bureau.

3,013 small raffle licenses were issued.

4,523 large raffle licenses were issued.

LARGE RAFFLE

When the total value of all prizes exceeds \$500, the raffle must be licensed for a fee of \$50 per drawing date. A large raffle license allows for the sale of charity game tickets.

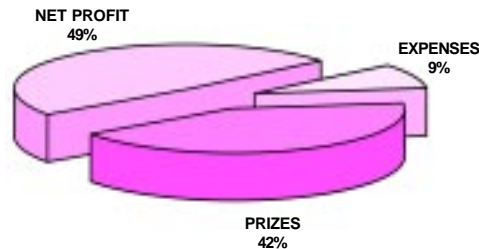
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$54,275,995
Prizes	\$22,724,585
Expenses	\$4,756,651
Net Profit	\$26,794,759

The 18 licensed raffles that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$53,752
Prizes	\$36,353
Expenses	\$4,634
Net Profit	\$12,765

Allocation of Total Large Raffle Revenue



Raffles yield the highest margin of net profit. Overall, 49% of raffle ticket sales is profit to the organizations.

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self supporting with license fees and charity game ticket revenue as the only source of funding. Revenue collected in excess of the division's operating expenses, including the payment of charity game ticket program costs, are turned over to the state's General Fund.

In FY 2001, division gross revenue was \$16,756,541*. Gross revenue includes fees from charity game (ticket), bingo, millionaire party, raffle, supplier, manufacturer, and hall licenses; charity game ticket sales; and costs recovered from the processing of requests for data under the Michigan Freedom of Information Act.

*estimated

Suppliers
grossed over
\$4.9 million in
the sales and
rental of bingo
and millionaire
party equipment.

SUPPLIERS

The Act requires the licensing of all suppliers of gambling equipment wishing to do business with nonprofit organizations licensed by the bureau. Licensed nonprofit organizations are required to purchase or rent the gambling equipment they use from a licensed supplier. Licensed suppliers are required to post a performance bond to sell charity game or approved numeral game tickets.

The suppliers annual license fee is \$300. Each supplier is required to file a report of financial activity pertaining to sales or rentals to the licensed organizations.

For FY 2001, licenses were issued to 40 suppliers who reported the following financial data:

Sales and rental of bingo equipment	\$4,464,742
Sales and rental of millionaire party equipment	\$464,045

REGULATORY ACTIVITY

During FY 2001, the following inspections and administrative activities were conducted:

<u>Inspections</u>	<u>Administrative Activities</u>
Bingo 2,483	Complaint Investigations 121
Charity Game Ticket 1,604	Violation Notices 93
Millionaire Party 160	Warning Notices 556
Raffle 583	Informal Meetings 10
Supplier 14	Compliance Meetings 36
Hall 31	License Suspensions 38
Manufacturer 1	License Revocations 0
	License Surrender 8

EVENT TRAINING

As one of the division’s major objectives is to assist nonprofit organizations in conducting licensed events in a successful manner, the division held the following training meetings:

	<u>Training Meetings</u>	<u>Total Attendance</u>
New bingo licenses	97	786
New charity game ticket licenses	149	494
Area training seminars	10	767
Special training meetings	85	332
Total	341	2,379

To assist nonprofit organizations in conducting successful events, 341 training meetings were held.

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Charity game ticket audits 64
Organization audits 3
Financial statement delinquencies issued 3,486
Financial statements entered 13,322
Record reviews 33

MISSION STATEMENT

- Provide services to the general public in a professional, positive, and efficient manner.
- Ensure that only organizations that qualify in accordance with the statute receive licenses.
- Ensure that licensed gaming events are conducted in a fair and honest manner.
- Ensure that funds received from the general public through licensed gaming events are accounted for and used for the lawful purposes of the organization.

Michigan Lottery
Charitable Gaming Division
P.O. Box 30023
Lansing, MI 48909
(517) 335-5780
www.michigan.gov/cg